United Nations A/68/805

General Assembly

Distr.: General
20 March 2014

Original: English

Sixty-eighth session
Agenda item 134
Programme budget for the biennium 2014-2015

Proposed terms of reference for the representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on the proposed terms of reference for the representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund (A/68/753), which is submitted pursuant to General Assembly resolution 68/247, in which the Assembly requested the Secretary-General, in consultation with the United Nations Joint Staff Pension Board, to prepare detailed terms of reference for the proposed full-time post of representative of the Secretary-General, to be reviewed by the Committee and presented to the Assembly at the first part of its resumed sixty-eighth session.

2. During its consideration of the report, the Committee met with the First Vice-Chairman of the Pension Board and with representatives of the Secretary-General, who provided additional clarification, concluding with written responses received on 11 March 2014.

II. Proposed terms of reference for the full-time post of representative of the Secretary-General for the investment of the assets of the Fund

Background

3. The annex to the report of the Secretary-General (A/68/753) contains the proposed terms of reference for his representative for the investment of the assets of the United Nations Joint Staff Pension Fund, including the responsibilities,

Please recycle

competencies, qualifications and delegated authority of the post; in paragraph 4 of the report, the Secretary-General requests the General Assembly to take note of the proposed terms of reference and to approve the establishment of a post at the Assistant Secretary-General level for his full-time representative.

4. According to the Secretary-General, his representative will lead the increasingly complex and demanding investment operations in terms of strategy and policy analysis, asset liability management, asset allocation, portfolio management and investment decision-making; risk management and compliance and monitoring; and back-office accounting, trade settlement, cash management and systems and information technology requirements (A/68/753, annex, para. 4). The Advisory Committee was informed, upon enquiry, that in the view of the Secretary-General the role of the full-time representative is homologous to a Chief Executive Officer of any asset management fund in the industry, to whom the director of investments, the director of risk and compliance, the director of operations and technologies and the Chief Financial Officer report directly.

Current functions of the representative of the Secretary-General for the investment of the assets of the Fund

5. The Advisory Committee notes that, according to article 19 (a) of the regulations of the United Nations Joint Staff Pension Fund, the investment of the assets of the Fund shall be decided upon by the Secretary-General after consultation with an Investments Committee and in the light of observations and suggestions made from time to time by the United Nations Joint Staff Pension Board on the investments policy. Upon enquiry, the Committee was informed that the representative of the Secretary-General convenes four regular meetings per year of the Investments Committee, and may convene additional meetings or otherwise consult with members of the Investments Committee, as necessary, during which time the Investments Committee provides advice and recommendations to the representative on the strategic asset allocation and other related conditions, policies and strategies for the investment of the assets of the Fund. The Committee was further informed that, on the basis of the advice received from the Investments Committee and in the light of observations and suggestions made by the Pension Board, the representative establishes the Fund's strategic asset allocation, including the allocation of overall portions of the investment portfolio to stocks, bonds, cash and other short-term instruments, alternative investments, including private equity and real estate investments, and directs the Investment Management Division to manage the investment portfolio of the assets of the Fund accordingly.

6. The Advisory Committee was informed, upon request, that the representative currently delegates and oversees, on an ongoing and regular basis, specific decision-making responsibilities to individuals within the Investment Management Division with respect to:

(a) Transactions involving the assets of the Fund up to prescribed limits by asset class assigned to specific individuals and, within asset classes, the geographical areas for which such individuals have transactional responsibilities, all in accordance with the strategic allocation policy then in effect;

(b) The oversight of and interactions with the Fund's custodian bankers and master record keeper;

(c) The oversight of and interactions with the Fund's investment advisers and brokerage services providers;

(d) The oversight of and interactions with any external discretionary investment managers (for example, of small capitalization funds and certain emerging-market pooled funds);

(e) Transactional settlements, accounting and financial reporting, compliance and compliance monitoring, risk management and monitoring, and all other so-called back-office functions;

(f) In accordance with the applicable regulations and rules of the United Nations, the administration and management of the human and financial resources allocated to the Division for the purposes of managing the investment of the assets of the Fund.

7. **In the absence of classification standards for posts at the level of Assistant Secretary-General, the Advisory Committee compared the functions of the proposed full-time representative with a number of existing posts at the Assistant Secretary-General level, and considers that the duties and responsibilities in the proposed job description are generally in line with those of job descriptions at the same level in the Department of Management.**

Specific qualifications for the proposed post of full-time representative of the Secretary-General for the investment of the assets of the Fund

Work experience

8. The Secretary-General indicates that the proposed post of full-time representative requires at least 20 years of proven progressively responsible experience in the management of economic, social security and/or financial policies and activities for governmental or intergovernmental organizations or for substantial private concerns, including, in the latter case, dealing with the management of the investment of complex portfolios of assets of various classes and in financial markets worldwide (A/68/753, p. 6). The Advisory Committee was informed that the intention of the Secretary-General in formulating the requirements in the proposed terms of reference was not to limit the pool of eligible candidates to technical investment experts, such as experts in pooled investment funds, investment banking or wealth management, whose approach to investment management may be centred on short- to medium-term investment returns, but rather to identify candidates with an understanding of and experience in establishing or operating within macroeconomic policies. The Committee was informed that the investment goals of the Fund relate to matching assets with long-term liabilities; consequently, its investment management depends on suitable strategies to achieve the 3.5 per cent long-term real rate of return assumed by the Pension Board in its actuarial assumptions for the Fund.

9. The Advisory Committee was informed that, according to the Secretary-General, candidates from the public sector having understanding of or having experience in establishing macroeconomic policies, such as central bankers and national finance ministers, would have broad experience and understanding of long-term macroeconomic trends and policies that would affect the performance of a large balanced portfolio of investment assets across a diverse range of asset classes. According to the Secretary-General, candidates from the private sector would be

unlikely to have been in a position to establish or manage such broad macroeconomic policies. The Committee was further informed that the qualifications were formulated to ensure that candidates with experience in the private sector would have had suitable experience in the management of investments for large complex portfolios, with diversified asset classes in worldwide markets. It was therefore considered by the Secretary-General in consultation with the Board that the relevant experience for candidates from the private sector would pertain to the management of large pension, insurance, endowment and similar funds that have long-term investment risk-return outlooks similar to those of the Pension Fund. However, the Advisory Committee was also informed that in the view of the Secretary-General it would be acceptable for a candidate appointed by the Secretary-General to have had no specific experience in managing a portfolio of investments, and that the representative must rather have a solid and broad understanding of economic and financial policies that over the long term can influence investment returns.

10. **The Advisory Committee believes that there is a range of skills from the private and public sectors which can be exercised in the role of the representative of the Secretary-General for the investment of the assets of the Fund, and it recommends that the General Assembly request the Secretary-General to make every effort to ensure that the pool of eligible candidates includes suitably qualified senior figures from the relevant fields. The Committee is also of the view that direct experience in investment portfolio management would be beneficial for the proposed post of representative.**

Consultation with the Investments Committee

11. The Advisory Committee notes that article 19 (a) of the Fund regulations stipulates that the investment of the assets of the fund shall be decided upon by the representative after consultation with the Investments Committee. However, under the responsibilities of the representative contained in the proposed terms of reference, it is stated that the representative, reporting to the Secretary-General and in consultation with the Investments Committee of the Fund and in the light of observations and suggestions made from time to time by the Pension Board on investments policy, will exercise discretionary authority over the investment of the assets of the Fund and will be responsible for the overall investment policy and for the management of the Investment Management Division. **The Committee considers that the approval of the proposed terms of reference by the General Assembly should not be read or interpreted as a change in article 19 (a) of the Fund regulations.**

Term of appointment of the representative

12. According to the proposed terms of reference, the representative of the Secretary-General would serve a five-year term, and would be eligible for reappointment for a further period to be determined by the Secretary-General in consultation with the Pension Board. Upon enquiry, the Advisory Committee was informed that the conditions for appointment and reappointment of the representative are intended to be consistent with regulation 4.5 (a) of the Staff Regulations, as promulgated by the General Assembly pursuant to Article 101 of the Charter of the United Nations, which provides that appointments of Under-Secretaries-General and Assistant Secretaries-General shall normally be for a period of up to five years,

subject to prolongation or renewal of the appointment by the Secretary-General. The Committee was further informed that the appointment of the representative would be made following the Secretary-General's consultation with the Pension Board, but within the sole discretion of the Secretary-General, and that such consultation was considered appropriate insofar as the post would be funded as an administrative expense of the Fund. Therefore, the Committee was informed, any extension or prolongation of the term of the representative would also be subject to such consultation with the Pension Board.

13. **The Advisory Committee is of the view that the conditions for appointment and reappointment of the representative of the Secretary-General have not been sufficiently defined. The Committee recommends that the General Assembly request the Secretary-General to revise the proposed terms of reference to allow an initial appointment of up to five years in duration and subsequent reappointment or reappointments, for up to a maximum of 10 years of service as the representative.**

14. Upon enquiry, the Advisory Committee was informed that the usual practices for recruitment for senior managers would be followed to ensure that candidates are drawn from a wide geographic basis. Specifically, notes verbales could be sent to Member States and an announcement would be placed in relevant trade journals, in accordance with the procedures described in the note by the Secretary-General on transparency in the selection and appointment of senior managers in the United Nations Secretariat (A/66/380/Add.1). The Committee was informed that the core principle is merit, and the Secretary-General is also committed to the overall need to ensure equitable geographical distribution and gender representation in his senior management team. **The Advisory Committee recommends that the Secretary-General be requested to ensure broad dissemination of the vacancy announcement for the post of his representative for the investment of the assets of the Fund, including circulating notes verbales to Member States and targeting industry publications and relevant institutions to allow for a competitive pool of candidates. The Committee expects that the process of recruitment of the representative of the Secretary-General for the investment of the assets of the Fund will be undertaken in a transparent manner.**

III. Other matters

Proposed revision to the Fund regulations

15. The Pension Board, in its report on the administrative expenses of the Fund for the biennium 2014-2015, proposed a revision to the Fund regulations to include a provision requiring the Secretary-General to consult the Board before appointing his representative. In this regard, the Advisory Committee notes that the General Assembly, in section VII of its resolution 68/247, while taking note of paragraphs 33 and 34 of the Committee's report (A/68/7/Add.3), which included the Committee's recommendation for the requested review of the Fund's governance arrangements and management structure, nevertheless endorsed the recommendations contained in the remaining paragraphs of the Committee's report, including paragraph 29, in which the Committee had recommended that the Assembly not approve the proposed revision to the Fund regulations, pending the consideration by the Assembly of the revised terms of reference for the representative. **As the**

appointment and reappointment of the representative falls within the sole discretion of the Secretary-General, who may already consult with the Pension Board on any topic within its purview, the Advisory Committee recommends against the proposed revision to the Fund's regulations stipulating that the Secretary-General consult the Board before appointing his representative.

Structure of the Investment Management Division

16. The Advisory Committee recalls that the Pension Board had proposed the redeployment of the post of Director of the Investment Management Division (D-2) to the Investment Section to serve as the Chief Investment Officer to oversee the private and public markets portfolios (A/68/303, para. 44). In paragraph 36 of its report on the administrative expenses of the Fund for the biennium 2014-2015, the Committee had recommended against the redeployment of the D-2 post, which should continue to retain responsibility for the coordination and management of the Investment Management Division under its current structure, pending the rejustification of the post of Chief Investment Officer as well as the recommended review of the Fund's governance arrangements and management structure (A/68/7/Add.3).

17. In this regard, the Advisory Committee notes that the General Assembly, in section VII of its resolution 68/247, endorsed the report of the Committee, while taking note of paragraph 34 regarding the Committee's recommendation to undertake a review of the governance arrangements and management structure of the Fund; however, the Assembly did not take note of paragraph 36 of the Committee's report. Upon request, the Committee was informed that, with regard to section VII of resolution 68/247, as it pertains to the recommendation of the Committee in paragraph 36 of its report, no action has been taken by the Secretary-General to modify the structure of the Investment Management Division, and that any changes to the structure are dependent on the establishment of the proposed Assistant Secretary-General post.

18. The Advisory Committee was informed that, in the view of the Secretary-General, a direct line of reporting to the representative of the Secretary-General from the Chief Investment Officer, the Chief Risk Officer, the Chief Operating Officer and the Chief Financial Officer reflects the most efficient structure providing a clean decision-making process while ensuring segregation of duties, leadership and overall management, as it is ultimately the representative who must take all decisions related to the investments of the Fund. Moreover, owing to the full-time nature of the proposed post, the representative would be in a position to actively participate in activities of the Investment Management Division and to devote sufficient time to ensure proper dialogue with intergovernmental and oversight bodies, including the Advisory Committee, the General Assembly, the Investments Committee, the Audit Committee, the Asset-Liability Management Steering Committee and the sustainability working group. According to the report on the administrative expenses of the Fund for the biennium 2014-2015, the Chief Financial Officer has a double reporting line to the Chief Executive Officer and to the representative (see A/68/303, para. 114 and annex VII). The Committee was informed, upon enquiry, that the Chief Financial Officer reports to the Chief Executive Officer and to the representative in the context of their respective substantive responsibilities, and that the reporting lines of the Chief Financial Officer have not changed since the establishment of this post in 2009.

19. Upon enquiry, the Advisory Committee was informed that the proposed terms of reference for the full-time representative were developed with a view to strengthening the governance of the Fund, especially considering the challenges of the bifurcated management structure. With this in mind, the full-time representative's role focuses on ensuring the unity of the Fund and also on allowing for an efficient and effective coordination with the Board, the Chief Executive Officer, Board committees and other working groups in matters of strategic importance to the Fund. The Committee was further informed that the United Nations Joint Staff Pension Fund's bifurcated management structure makes it a unique entity among its peers, as the General Assembly has established a single inter-agency entity, the United Nations Joint Staff Pension Fund, where the Pension Board is responsible for the management and administration of the Fund and appoints the Chief Executive Officer while the Secretary-General is responsible for the management of the investment of the assets of the Fund, and delegates his authority and responsibility to act on his behalf in all matters involving his fiduciary duties related to the investment of the assets to his representative.

20. Regarding the Board's proposal in its report on the administrative expenses of the Fund for the biennium 2014-2015 to redeploy the post of Director of the Investment Management Division (D-2) to serve as Chief Investment Officer, the Advisory Committee was further informed that, in the light of the key responsibilities, qualifications, appointment criteria, terms and duration of service, level and reporting lines in the proposed terms of reference for the representative, the Secretary-General believes that the existing D-2 post should be devoted to the Investment Section only, overseeing a team of professionals that have responsibilities such as managing and monitoring investment activity, working with external analysts and maintaining good investor relations.

21. **The Advisory Committee notes that the General Assembly, in paragraph 12 of section VII of its resolution 68/247, decided to maintain the current structure of the Fund, and thus the revisions to the structure of the Investment Management Division proposed by the Pension Board in its report on the administrative expenses of the Fund for the biennium 2014-2015 have not been authorized by the Assembly.**

IV. Conclusion and recommendations

22. **Subject to the comments and recommendations contained in the present report, the Advisory Committee recommends that the General Assembly take note of the proposed terms of reference for the full-time post of representative of the Secretary-General for the investment of the assets of the Fund.**